

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 DODE-00 NSAE-00 TRSE-00 ERDA-05

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P R 221530Z SEP 75

FM AMCONSUL ZAGREB

TO SECSTATE WASHDC PRIORITY 3354

AMEMBASSY BELGRADE

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EXCON

E.O. 11652: N/A

TAGS: ESTC, YO

SUBJECT: DIFFICULTIES IN OBTAINING EXPORT LICENSE

1. REPRESENTATIVE OF YUGOSLAV FIRM VELEBIT, WHICH IS AGENT FOR U.S. COMPANY, VARIAN, CALLED AT CONSULATE ON SEPTEMBER 22 TO INFORM US OF SERIOUS DIFFICULTIES VARIAN WAS ENCOUNTERING IN OBTAINING U.S. EXPORT LICENSE. HE SAID THIS COULD LEAD VELEBIT TO CANCEL ITS CONTRACT WITH VARIAN.

2. IN MARCH , 1975, VELEBIT SIGNED AGREEMENT WITH VARIAN OF SWITZERLAND FOR PURCHASE OF VARIAN MODEL V-72 COHPUTER SYSTEM FOR USE BY ZAGREB CABLE MANUFACTURING FIRM, ELKA. TERMS OF AGREEMENT CALLED FOR COMPUTER TO BE SUPPLIED BY SEPTEMBER 15. COMPUTER IS READY FOR SHIPMENT BUT VELEBIT HAS BEEN INFORMED BY VARIAN THAT IT HAS NOT YET SUCCEEDED IN OBTAINING EXPORT LICENSE. DELAY IN OBTAINING LICENSE IS CAUSING SERIOUS PROBLEMS FOR VELEBIT, WHICH HAS ALREADY PAID 10 PERCENT IN ADVANCE, AND FOR ELKA WHICH HAS TRAINED FIVE-MAN CREW TO OPERATE THE COMPUTER. (EUC #1038, APRIL 16, 1975).

3. VELEBIT REP INFORMED US THAT VELEBIT HAS SOLD SIMILAR  
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VARIAN COMPUTER TO KREDITNA BANKA OF ZAGREB, WITH DELIVERY DUE

IN OCTOBER. IF SIMILAR PROBLEMS DEVELOP WITH THIS COMPUTER, VELEBIT REP STATED THAT VELEBIT WILL CONSIDER DROPPING AGENCY AGREEMENT WITH VARIAN AND SEEKING AGREEMENT WITH JAPANESE OR WEST EUROPEAN COMPANY WHICH ABLE TO GUARANTEE DELIVERY OF SIMILAR COMPUTER SYSTEMS. VELEBIT IS RELUCTANT TO TAKE SUCH A DRASTIC STEP SINCE IT HAS TRAINED TEAM TO WORK WITH VARIAN EQUIPMENT. VELEBIT BELIEVES THAT IF SUPPLY PROBLEMS CONTINUE NON-U.S. COMPANIES WILL TAKE OVER YUGOSLAV MARKET FOR THE TYPE OF COMPUTER SYSTEMS WHICH VARIAN OFFERS. VELEBIT REP STATED THAT IT HAS FIRM PROSPECTS FOR SALE OF FOUR MORE VARIAN V-72 SYSTEMS BEFORE THE END OF THE YEAR.

4. VELEBIT REP ALSO MENTIONED DIFFICULTIES IN OBTAINING EXPORT LICENSE FOR 3-M DISK PACKS AND MAGNETIC TAPES. HE SAID JAPANESE, WEST EUROPEAN AND EAST EUROPEAN COMPANIES HAVE APPROACHED VELEBIT WITH A VIEW TOWARD SUPPLANTING 3-M AS SUPPLIER OF THESE ITEMS.

5. ACTION REQUESTED: IN VIEW OF PROBABLE DAMAGE TO U.S. MARKET POSITION, DOC IS REQUESTED TO TAKE ALL POSSIBLE STEPS TO EXPEDITE ISSUANCE OF EXPORT LICENSE FOR VARIAN COMPUTERS DESTINED FOR ELKA AND KREDITNA BANKA. WE ALSO OUGHT TO BE AWARE THAT REPORTS OF SUCH DELAYS IN OBTAINING U.S. EXPORT LICENSES RE-INFORCE EXPRESSED YUGOSLAV SUSPICIONS THAT THERE ARE ELEMENTS IN USG OPPOSED TO EXPANSION OF U.S.-YUGOSLAV COMMERCIAL TIES. WE WOULD APPRECIATE EARLY STATUS REPORT.  
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